

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **December 13, 2005**

AGENDA ITEM NO.: 4

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Budget Amendment and Appropriation of \$5,188,366 from Appropriated but Unexpended FY 2005 School Operating Fund Funds**

RECOMMENDATION:

Conduct a public hearing to amend the FY 2006 General Fund, School Operating Fund and School Capital Projects Fund budgets and adopt a resolution (a) appropriating \$5,188,366 to the General Fund for transfer to the School Operating Fund, (b) appropriating \$5,188,366 to the School Operating fund with resources of \$5,188,366 from the General Fund, (c) appropriating \$296,500 to the School Capital Projects Fund with resources of \$296,500 from the School Operating Fund, and (d) establishing certain designations of fund balance in the School Operating Fund.

SUMMARY:

This action is requested in accordance with an agreement signed by the Lynchburg City Council and the Lynchburg City School Board dated December 14, 1993 (copy attached). This agreement provides for the creation and maintenance of a school operating fund balance for "the purpose of underwriting any occasional shortfalls from the various budgetary categories of direct State funding support as well as other applications, all based upon the required expenditure approval of the School Board."

The details of this request can be found in the attached letter from the Superintendent of the Lynchburg Public Schools.

PRIOR ACTION(S): December 6, 2005 Finance Committee

FISCAL IMPACT: N/A

CONTACT(S): Dr. Paul McKendrick, Ed.D. 522-3700 ext 101
Ms. Cynthia F. Page 522-3700 ext 104

ATTACHMENT(S): Letter from Dr. McKendrick
1993 Letter of Agreement Between the Lynchburg Council and the Lynchburg School Board
Resolution

REVIEWED BY: lkp

Resolution:

BE IT RESOLVED THAT the FY 2006 General Fund Budget is amended and \$5,188,366 is appropriated for transfer to the School Operating Fund with resources of \$5,188,366 from unexpended FY 2005 School Operating appropriations to assist in the funding of certain designated expenditures,

BE IT FURTHER RESOLOVED THAT the FY 2006 School Operating Fund Budget is amended and \$5,188,366 is appropriated with resources of \$5,188,366 from the General Fund to assist in the funding of certain designated expenditures,

BE IT FURTHER RESOLOVED THAT of the funds appropriated to the School Operating Fund, Fund Balance Designations are hereby authorized for: (a) \$1,500,000 for school textbooks, (b) \$500,000 for health insurance, (c) \$100,000 for increased fuel costs, and (d) \$924,866 for athletic fields; and,

BE IT FURTHER RESOLOVED THAT the FY 2006 School Capital Projects Fund Budget is amended and \$296,500 appropriated with resources of \$296,500 from the School Operating Fund to assist in the funding of certain designated expenditures.

Introduced:

Adopted:

Certified:

Clerk of Council

167L



SCHOOL ADMINISTRATION BUILDING

915 Court Street
Post Office Box 1599
Lynchburg, Virginia 24505-1599

November 22, 2005

The Honorable Carl Hutcherson
Lynchburg City Hall
900 Church Street
Lynchburg, VA 24504

Dear Mayor Hutcherson:

The Lynchburg School Board directed me to request that the Lynchburg City Council re-appropriate to the school division its operating budget fund balance. As you may remember, I presented this item via a letter to the city manager on October 4, 2005, and during the joint city council-school board meeting on October 11, 2005. The request for the funds, in accordance with the 1993 agreement between the school board and the city council, is for \$5,432,633, the amount on record as of June 30, 2005. Please note that of that amount the school board had designated \$244,267 for lease purchase. Thus the undesignated fund balance amount is \$5,188,366.

During its November 14, 2005, meeting, the school board discussed the potential uses of the funds. See the attachment included in this letter. Please note that all of the expenditures listed are non-recurring and that the projected costs are estimates.

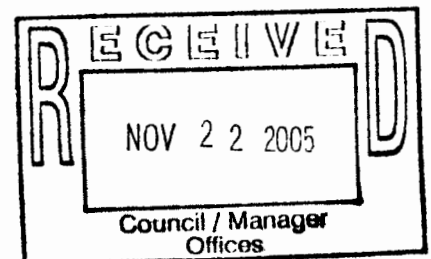
It is my understanding that this request needs be submitted as an agenda item for the upcoming financial development committee meeting and for a city council work session and/or meeting in December. I respectfully request that you place the item on the appropriate agendas. As you prepare for these meetings or if I may clarify any concerns, please do not hesitate to contact me. Further, Cynthia F. Page, the school division's chief financial officer, members of the school board's leadership, and I will be present at your meetings to answer questions about this request.

Thank you for your attention to this matter.

Sincerely,

Paul McKendrick Ed.D.
Superintendent

PM/cfp



Projected Uses of the Operating Budget Fund Balance

Items Authorized at the Creation of the 2005-06 Budget

| | |
|---|-------------|
| Salary study | \$ 50,000 |
| Textbook software for tracking school textbooks | \$ 20,000 |
| Textbook purchases | \$1,000,000 |
| Start up expenses for automated timekeeping system (Kronos) | \$ 10,000 |
| Signing bonus (pilot program) | \$ 100,000 |

Establish Escrow Funds

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| Establish textbook escrow account ¹ | \$1,500,000 |
| Establish health insurance escrow account ² | \$ 500,000 |

Capital Items

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|--|------------|
| Provide air conditioning for the Bedford Hills Elementary School cafeteria ³ | \$ 103,000 |
| Provide air conditioning for the Linkhorne Elementary School cafeteria ³ | \$ 47,500 |
| Provide a covered walkway from the kindergarten wing to the cafeteria at Linkhorne Elementary ⁴ | \$ 42,000 |
| Provide instrument storage at Paul Laurence Dunbar Middle School for Innovation for band ⁵ | \$ 50,000 |
| Provide instrument storage at Paul Laurence Dunbar Middle School for Innovation for orchestra ⁵ | \$ 15,000 |
| Purchase a backhoe | \$ 7,000 |

Athletic Fields

| | |
|---|------------|
| Engage a firm to conduct a master plan for athletic areas at E.C. Glass High School and Paul Laurence Middle School for Innovation ⁶ | \$ 30,000 |
| Purchase and install sod for new practice fields under construction at Heritage High School ⁷ | \$ 38,000 |
| Purchase and install an irrigation system for the football fields at the three middle schools ⁸ | \$ 36,000 |
| Infill and grade the swale between fields at Linkhorne Middle School ⁹ | \$ 30,000 |
| Establish a reserve for future athletic facility needs ¹⁰ | \$ 924,866 |

Software Purchases

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|---|------------|
| Purchase software for the departments for finance and personnel | \$ 100,000 |
| Purchase bus routing software | \$ 85,000 |

Other Items

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|---|------------|
| Establish fuel reserve to be used for fuel overages in 2005-06 | \$ 100,000 |
| Engage a firm to conduct a needs assessment study of the alternative education programs | \$ 50,000 |

| | |
|--|---------------------|
| Total Uses of Fund Balance | \$ 4,838,366 |
| Remaining undesignated balance ¹¹ | \$ 350,000 |

¹ Textbook escrow account. Textbook adoptions for the next four years are estimated to cost \$3,150,000. Establishing a textbook escrow account will allow the school division to level the school operating budget's share of textbooks for the next four years. The textbook budget will be approximately \$300,000 in 2006-07 and \$450,000 for the following three years. The balance of textbook costs will come from the escrow account, which should be depleted by the end of the four year period.

² Health insurance escrow account. The school division, like the city, has a self funded health care plan. The escrow account may be utilized to cover costs if claims exceed budgeted funds in a particular year. Or, if projected claims for a new year are excessively high, the escrow account may be utilized to reduce employer and employee "premium" contributions. The school board will direct the usage of this fund.

³ Bedford Hills Elementary School and Linkhorne Elementary School are the only two schools that do not have air-conditioned cafeteriums. Student attention at assemblies as well as comfort during meal periods will be greatly enhanced. By air-conditioning these facilities, there is the potential to expand summer programs.

⁴ Linkhorne Elementary School has a block of 4 classrooms which is detached from the building. There is a covered walkway from one classroom to the cafeteria. However, the other three classrooms have no covering over the doorways which means that students exiting their classrooms to go to the cafeteria, the library, or resources classrooms are subject to weather conditions. The school administration wishes to construct a covering so that these students would be protected from rain when they leave the classrooms. Students housed in this wing are kindergarten and pre-kindergarten students.

⁵ Instrument storage was to be provided at Paul Laurence Dunbar Middle School for Innovation when the building was renovated. However, the project ran over budget and the instrument storage was cut from the project. The school has been coping with lost instruments and students delays due to the lack of appropriate storage.

⁶ The school division hired a consultant to provide potential layout of athletic fields at E. C. Glass High School. The study did not provide a thorough review of all factors involved. The school division wishes to engage a firm that specializes in athletic facilities design and wishes for that firm to report on needs and possible solutions at E. C. Glass High School and Paul Laurence Dunbar Middle School for Innovation. The study should provide additional information for the joint city-school task force which is gathering data and recommendation regarding athletic fields.

⁷ The bids that were received for the building of new practice fields at Heritage High School exceeded the allotted budget. To meet the budget, sodding of the fields was cut from the project. However, the fields will be in use one year earlier if the sod is installed.

⁸ As noted in the athletic facilities report presented to the joint meeting of city council and school board, the middle school fields are in poor condition. Installing irrigation systems for these fields is the first step toward improving the quality of the playing surface.

⁹ Linkhorne Middle School has a swale between its fields. Dirt from the Heritage High School field project can be brought to the school to fill the swale. The area will also need to be graded and seeded. The filled in area could be used to provide additional practice space.

¹⁰ The school board proposes setting aside funds in the amount of \$924,866 to help address future athletic facility needs as identified by the task force and agreed upon by city council and the school division. The school board believes it is premature to identify specific uses of these funds until the task force has completed its report.

¹¹ The school board believes it is prudent to leave an amount of the fund balance as undesignated to help cover any unforeseen costs in the school operating budget or to complete the projects listed above should the cost estimates be too low. When the school board is ready to use these funds, a formal request will be made to the Lynchburg City Council for an appropriation.

LETTER OF AGREEMENT
BETWEEN LYNCHBURG CITY COUNCIL
AND LYNCHBURG BOARD OF SCHOOL TRUSTEES

In accordance with the attached, duly-adopted Resolution, the Lynchburg City Council and the Lynchburg Board of School Trustees hereby agree that the creation and maintenance of a School Operating Fund Balance is desirable to the long-range financial interests of both entities and, even more importantly, to the citizens and the community which both bodies represent. Accordingly, the City Council supports such approach by indicating its willingness to reappropriate to such Fund Balance any duly-budgeted, non-debt service local funding which the Schools manage to avoid spending by the close of each fiscal year. Similarly, the School Board expresses its intention of continuing to exercise cautiousness in the expenditure of all budgeted, appropriated local funding to the Schools, and further understands that any such unexpended, non-debt service monies would become part of a Schools Operating Fund Balance.


The separate, above-mentioned Fund Balance would be maintained in the accounting records of the Lynchburg City Schools for the purpose of underwriting any occasional shortfalls from any of the various budgetary categories of direct State funding support as well as other applications, all based upon the required expenditure approval of the School Board. For informational purposes, the Lynchburg City School Board would advise City Council annually as to amount of funding in such School Operating Fund Balance as of July 1 of each fiscal year; and such information would be reflected in the overall financial information of the City of Lynchburg along with other customary fiscal data for the Lynchburg City Schools.

Based upon this understanding, the creation of the above-referenced Fund Balance would occur promptly and would include any unexpended, duly-budgeted, non-debt service local funding at the close of the current 1992-1993 fiscal year. It is understood that such practice would remain active in the years thereafter.

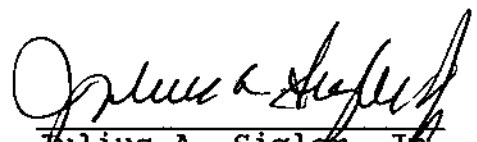
Lynchburg City Council

Lynchburg City School Board

By:


Julian R. Adams
Mayor

By:


Julius A. Sigler, Jr.
Chairman

Date:

12/14/93

Date:

December 20, 1993